Municipal Bond Holdings of the 75 Largest Banks

Book value of holdings for June 30, 1989, and Dec. 31, 1988, 1987, and 1986, and percentage changes (dollar amounts in millions)

Asset Rank 6/89		Holdings 6/30/89	Holdings 12/31/88	Holdings 12/31/87	Holdings 12/31/86	Pct. Chg. 88-89	Pct. Chg. 87-88	Pct. Chg. 86-87
1	**Citibank,** New York	$1,381,000	$1,583,000	$1,791,000	$1,951,000	-12.8%	-11.6%	-8.2%
2	**Bank of America,** San Francisco	204,000	211,000	284,000	339,000	-3.3	-25.7	-16.2
3	**Chase Manhattan Bank**	1,375,607	1,565,292	1,744,211	1,970,916	-12.1	-10.3	-11.5
4	**Morgan Guaranty Trust Co.,** New York	3,591,971	3,719,634	4,001,609	4,350,264	-3.4	-7.0	-8.0
5	**Bankers Trust Co.,** New York	1,306,397	1,412,407	1,490,252	1,397,782	-7.5	-5.2	6.6
6	**Manufacturers Hanover Trust Co.,** New York	637,000	709,000	1,098,000	1,659,000	-10.2	-35.4	-33.8
7	**Security Pacific Nat. Bank,** Los Angeles	221,723	234,198	261,027	294,654	-5.3	-10.3	-11.4
8	**Chemical Bank,** New York	1,719,000	1,667,000	1,603,000	1,669,000	3.1	4.0	-4.0
9	**Wells Fargo Bank,** San Francisco	70,792	73,553	94,607	121,916	-3.8	-22.3	-22.4
10	**First National Bank of Chicago**	424,929	440,363	477,920	504,092	-3.5	-7.9	-5.2
11	**Continental Bank,** Chicago	63,534	64,176	65,271	65,691	-1.0	-1.7	-0.6
12	**NCNB Texas National Bank,** Dallas	47,402	52,373	n.a.	n.a.	-9.5	n.a.	n.a.
13	**First National Bank of Boston**	221,235	227,454	216,535	277,824	-2.7	5.0	-22.1
14	**Bank of New York**	927,673	1,235,846	1,197,411	1,191,402	-24.9	3.2	0.5
15	**Mellon Bank,** Pittsburgh	350,629	361,498	825,506	1,064,674	-3.0	-56.2	-22.5
16	**Irving Trust Co.,** New York	234,429	242,909	266,918	316,653	-3.5	-9.0	-15.7
17	**Republic National Bank,** New York	469,846	465,139	469,888	474,293	1.0	-1.0	-0.9
18	**Marine Midland Bank,** Buffalo	323,753	342,175	595,332	706,670	-5.4	-42.5	-15.8
19	**First Interstate Bank,** Los Angeles	325,684	338,107	417,562	496,912	-3.7	-19.0	-16.0
20	**NCNB National Bank,** Charlotte, N.C.	223,433	233,750	218,503	373,973	-4.4	7.0	-41.6
21	**First Union National Bank,** Charlotte, N.C.	972,714	974,864	973,129	1,003,120	-0.2	0.2	-3.0
22	**National Bank of Detroit**	932,811	918,525	931,059	933,094	1.6	-1.3	-0.2
23	**Pittsburgh National Bank**	326,255	321,822	323,219	746,214	1.4	-0.4	-56.7
24	**Union Bank,** San Francisco	305,118	319,710	389,491	452,963	-4.6	-17.9	-14.0
25	**Bank of New England,** Boston	273,121	235,631	119,274	175,696	15.9	97.6	-32.1
26	**Wachovia B&T Co.,** Winston-Salem, N.C.	527,285	541,573	564,426	615,813	-2.6	-4.0	-8.3
27	**Southeast Bank,** Miami	775,950	797,583	979,040	1,107,920	-2.7	-18.5	-11.6
28	**National Westminster Bank USA,** New York	351,050	372,557	444,005	509,796	-5.8	-16.1	-12.9
29	**First Bank,** Minneapolis	528,186	536,100	791,678	801,215	-1.5	-32.3	-1.2
30	**Boston Safe Deposit & Trust Co.**	232,230	1,266,531	971,084	876,555	-81.7	30.4	10.8
31	**Sovran Bank,** Richmond	450,889	474,304	563,646	762,255	-4.9	-15.9	-26.1
32	**Bank One Texas,** Dallas	218,268	280,553	527,139	657,808	-22.2	-46.8	-19.9
33	**Citizens and Southern National Bank,** Atlanta	543,271	553,071	632,803	591,392	-1.8	-12.6	7.0
34	**Connecticut National Bank,** Hartford	466,374	495,603	604,093	749,143	-5.9	-18.0	-19.4
35	**Citibank (South Dakota),** Sioux Falls	0	0	0	0	n.m.	n.m.	n.m.
36	**First Fidelity Bank New Jersey,** Newark	496,182	523,462	630,861	777,375	-5.2	-17.0	-18.8
37	**Texas Commerce Bank,** Houston	455,267	479,134	516,248	570,110	-5.0	-7.2	-9.4
38	**NCNB National Bank of Florida,** Tampa	548,481	568,737	668,222	693,554	-3.6	-14.9	-3.7
39	**Seattle-First National Bank,** Seattle,	25,629	25,525	27,785	34,108	0.4	-8.1	-18.5
40	**Connecticut Bank & Trust Co.,** Hartford	454,113	419,323	547,482	1,103,142	8.3	-23.4	-50.4
41	**Philadelphia National Bank**	223,061	219,919	268,802	393,180	1.4	-18.2	-31.6
42	**Crestar Bank,** Richmond	196,025	312,131	346,712	404,575	-37.2	-10.0	-14.3
43	**Harris Trust & Savings Bank,** Chicago	302,195	305,817	332,778	411,884	-1.2	-8.1	-19.2
44	**Valley National Bank of Arizona,** Phoenix	506,573	506,194	592,022	728,323	0.1	-14.5	-18.7
45	**Michigan Nat. Bank-Farmington Hills**	131,643	157,658	183,116	584,458	-16.5	-13.9	-68.7
46	**Maryland National Bank,** Baltimore	171,963	199,921	384,588	467,177	-14.0	-48.0	-17.7
47	**Fidelity Bank,** Philadelphia	345,807	366,983	361,662	372,913	-5.8	1.5	-3.0
48	**U.S. National Bank of Oregon,** Portland	458,666	499,383	546,058	585,332	-8.2	-8.5	-6.7
49	**Comerica Bank-Detroit**	442,897	471,892	530,411	540,624	-6.1	-11.0	-1.9
50	**Shawmut Bank,** Boston	413,508	405,932	468,989	611,673	1.9	-13.4	-23.3
51	**First Union Nat. Bank Florida,** Jacksonville	584,921	622,590	660,070	691,633	-6.1	-5.7	-4.6
52	**Northern Trust Co.,** Chicago	339,238	311,001	308,838	326,788	9.1	0.7	-5.5
53	**Manufacturers National Bank,** Detroit	312,817	317,059	321,466	330,004	-1.3	-1.4	-2.6
54	**Norwest Bank Minnesota,** Minneapolis	163,593	184,583	192,610	187,866	-11.4	-4.2	2.5
55	**Huntington National Bank,** Columbus, Ohio	310,897	317,555	327,543	357,663	-2.1	-3.0	-8.4
56	**AmeriTrust Co.,** Cleveland	401,530	421,606	475,405	516,132	-4.8	-11.3	-7.9
57	**State Street Bank & Trust Co.,** Boston	226,568	238,289	238,154	287,354	-4.9	0.1	-17.1
58	**Centurion Bank,** Newark, Del.	0	0	0	0	n.m.	n.m.	n.m.
59	**First National Bank of Atlanta**	261,247	271,137	277,863	296,848	-3.6	-2.4	-6.4
60	**Meridian Bank,** Reading, Pa.	511,167	567,838	469,212	522,515	-10.0	21.0	-10.2
61	**Bank of Tokyo Trust Co.,** New York	155,139	156,827	163,836	169,931	-1.1	-4.3	-3.6
62	**Signet Bank-Virginia,** Richmond	327,707	352,000	416,594	524,269	-6.9	-15.5	-20.5
63	**Boatmen's National Bank St. Louis**	347,016	339,770	311,722	286,285	2.1	9.0	8.9
64	**National City Bank,** Cleveland	504,013	519,098	651,780	682,067	-2.9	-20.4	-4.4
65	**Provident National Bank,** Bryn Mawr, Pa.	103,690	111,706	123,396	136,269	-7.2	-9.5	-9.4
66	**Florida National Bank,** Jacksonville	245,401	286,783	327,327	356,847	-14.4	-12.4	-8.3
67	**Security Pacific Bank Washington,** Seattle	134,518	141,999	154,507	162,804	-5.3	-8.1	-5.1
68	**Fleet National Bank,** Providence, R.I.	351,978	421,725	572,629	741,081	-16.5	-26.4	-22.7
69	**AmSouth Bank Birmingham,** Ala.	436,774	434,889	394,785	359,870	0.4	10.2	9.7
70	**Bank of California,** San Francisco	179,417	183,087	190,698	198,311	-2.0	-4.0	-3.8
71	**Chase Manhattan Bank USA,** Wilmington, Del.	0	0	0	0	n.m.	n.m.	n.m.
72	**First Interstate Bank of Arizona,** Phoenix	462,066	474,629	485,584	439,259	-2.6	-2.3	10.5
73	**First City National Bank of Houston**	64,113	43,427	24,204	256,171	47.6	79.4	-90.6
74	**Bank of Hawaii,** Honolulu	146,218	157,839	212,126	258,039	-7.4	-25.6	-17.8
75	**Sanwa Bank California,** San Francisco	19,503	22,305	27,453	33,722	-12.6	-18.8	-18.6

500 Largest Banks Cut Municipal Bond Holdings 6% in First Half

▸ Continued from Page 11

lion; Chase Manhattan Bank, with $1.37 billion; and Bankers Trust Co., with $1.31 billion. The largest bondholder among banks outside New York was First Union National Bank of North Carolina, Charlotte, with $973 million.

Bank of New York posted the second-largest decline in bond holdings, behind Boston Safe Deposit, for the first half of 1989, with a decline of $308 million, or 25%, to $928 million. John A. Ross, executive vice president of worldwide assets and liabilities management for the bank, said the decline resulted from a large amount of short-term notes maturing on June 30.

Since then, he said, the bank has rebuilt its portfolio, which consists mostly of bank-qualified notes from local issuers in New York State – although the increase has been slower than in past years because of "more competition from other bidders."

Citibank Has Third-Largest Drop

Citibank trimmed $202 million, or 13%, of its portfolio, for the third-largest decline. A bank spokesman said the cutback "is part of a trend by money-center banks to reduce their municipals."

"There are many other tax credits available, particularly foreign credits for multinational banks," the Citibank spokesman said. "Municipals were once a major tax shelter, but with the other credits and tax law changes, they're a smaller and smaller part of the overall portfolio."

Chase Manhattan reduced its holdings by $190 million, or 12%, for the fourth-largest decrease. Bank officials would not comment on the decline.

Morgan Guaranty Trust Co.'s portfolio decreased $128 million, or 3.4%, in the fifth-largest decline. A Morgan spokesman's only comment was that the decline resulted "from a combination of sales and maturities."

Chemical Bank added the most municipal bonds of any bank during the first six months of 1989, increasing its portfolio by $52 million, or 3%. Only eight other banks added more than $20 million during the period.

Officials at the bank did not return telephone calls for this article.

Two banks adding bonds: Bank of New England in Boston, up $37 million, and Connecticut Bank & Trust Co. in Hartford, up $35 million. The two are in the same bank holding company, Bank of New England Corp.

William Morse, vice president and tax-exempt portfolio manager for the corporation, said, "Tax-exempt bonds are a good value, particularly those issued in New England, relative to government and agency securities and mortgage-backeds." He noted that 10-year, bank-qualified municipal bonds have a tax-equivalent yield of 9⅜% to 9½%, compared with 7⅞% for U.S. Treasury notes and 9% for 15-year mortgage-backed securities with an average life of six to seven years.

"I certainly wish this market had more depth and breadth to it," Mr. Morse said, referring to the tight supply of bank-qualified bonds. "There's a growing interest in this paper among banks, as they clear up their loan problems and get their earnings back on track."

First Virginia Bank in Falls Church added $35 million of bonds to its portfolio in the first six months of 1989. But the bank's portfolio manager, E. Machin Sarros, said the increase, which occurred entirely between January and April, resulted because "the market was good, not from any strategic policy."

"Our ability to purchase [municipal bonds] is fleeting, because we're participants in the short end of the market only," Ms. Sarros said. "Half of the additions were 18-month to 20-month maturities, and nothing was longer than five years. Five years is out in the ozone."

Portfolio Expected to Shrink

First Virginia has not bought any bonds since May, Ms. Sarros said, and the bank expects its portfolio to shrink by $60 million by the end of 1991.

More municipal bonds are held by Top 500 banks based in New York State than in any other state. Forty-five New York banks held $14.51 billion of municipals, or 24% of the 500 banks' combined portfolios. They were followed by 30 banks in Florida, with $4.31 billion; 28 banks in New Jersey, with $3.41 billion; 38 banks in Pennsylvania, with $3.35 billion; and 27 banks in Ohio, with $2.93 billion.

> Boston Safe Deposit cut its municipal portfolio by more than $1 billion, and the selling did not stop there.

The New York banks also boasted the largest average holdings, with $322 million per bank, followed by Arizona with $260 million, North Carolina with $226 million, Connecticut with $217 million, and Oregon with $202 million.

In addition, the New York banks also sold off the most bonds in the first six months, with a $1.22 billion reduction. Massachusetts was second with a $1.07 billion, or 38%, decline – almost all of it by Boston Safe Deposit.

Next came Florida, down $179 million; Virginia, down $166 million; and Ohio, down $160 million.

Banks in six states increased their combined municipal holdings in the first six months of 1989: Illinois, up a combined $32 million, or 2%; Kentucky, up $5 million, or 1%; New Hampshire, up $28 million, or 56%; New Mexico, up $1 million, or 0.5%; South Carolina, up $2 million, or 0.3%; and West Virginia, up $3 million, or 3%. New Hampshire's gain was due almost entirely to one bank, BankEast in Manchester, which increased its portfolio by $29 million, or 145%.

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We created a lower-price credit card that gives the cardholder a benefit for being a contributor to the charity.

— David C. Mann, president of Affinity Group Marketing, New York

Market View

Mail-Order Checks Threaten Banks

While only 2% of all bank customers currently order their checks from direct-mail suppliers, bankers should be aware that the trend could grow – and lead to revenue losses, warns David Mills, a vice president in charge of sales and marketing at Rocky Mountain Bank Note Co., Denver.

"Although I wouldn't anticipate the number of customers using mail-order check suppliers ever exceeding 5%, it's significant enough that banks should be aware of the potential and develop a clear strategy for responding," Mr. Mills said in a recent mailing to banks served by his check-printing company.

According to Mr. Mills, when consumers buy checks themselves rather than through their banks, the banks lose control over check quality and are exposed to fraud losses as more people have access to valid account numbers. Mr. Mills is recommending that banks train their employees to gently persuade consumers to order their checks at the bank. Statement stuffers that explain the pitfalls of direct-mail suppliers are another good idea, as is rolling the cost of checks into a flat fee that consumers pay for a checking account, Mr. Mills said.

Small Business a CBA Priority

The small-business market will be the focus of a Consumer Bankers Association conference to be held Feb. 13-15 in Atlanta. The Arlington, Va.-based trade group, which has historically focused on retail banking issues, will unveil the results of a survey it is conducting on how banks meet the needs of small-business customers.

Topics to be covered at the conference include relationship banking, market segmentation, the Community Reinvestment Act, and lending to women business owners. A special session conducted by representatives of the small-business community is also on the schedule.

Douglas K. Freeman, a Wells Fargo Bank executive vice president who was recently put in charge of that bank's small-business lending effort, will reveal the results of the Consumer Bankers Association survey. Mr. Freeman was formerly senior vice president for the San Francisco bank's consumer business.

William E. MacDonald 3d, executive vice president at National City Bank in Cleveland, and Edward E. Furash, president of Furash & Co., Washington, are also scheduled to lead conference sessions.

A 'Gone with the Wind' Card

Aficionados of "Gone with the Wind" are the latest group of loosely knit consumers to be offered an affinity credit card.

As the film passes its 50th anniversary, the Citizens and Southern National Bank, Atlanta, and MasterCard International are billing the new Gone with the Wind card as the world's first "continuity card." They mean that holders will receive a newly designed card every two years. Each card in the four-card series will sport actual scenes from the movie, including Scarlett at Tara, Rhett Butler, and Rhett and Scarlett together.

"Fans of 'Gone with the Wind' are very devoted to this classic piece of Americana," said Stephen J. Bartell, a MasterCard vice president. "Their loyalty represents an appropriate audience for a lifestyle-type MasterCard."

The first applications for the GWTW MasterCard will be available at the Fox Theatre in Atlanta, where "Gone with the Wind" is due to repremiere on Dec. 15. The bank will then market the card nationally, accepting applications via a toll-free telephone number.

Japan Edges U.S. in Number of ATMs

Study Says It Also Leads In Units per Population

By JEFFREY KUTLER

JAPAN has surpassed the United States in number of automated teller machines, but not by as wide a margin as some industry analysts have assumed, a survey of international ATM markets suggests.

The survey, published by the Battelle Institute in London and based on data gathered last January, shows the U.S. and Japanese banking industries in a dead heat, with 75,000 ATMs and cash dispensers in each country.

No other country has as many as 15,000 units, according to the study. All of western Europe has 56,000, with Britain and France accounting for almost half those machines.

By virtue of its faster growth rate, Japan would be expected to have surpassed the United States by now.

At the time of the previous Battelle report in 1987, the United States led with 67,000 ATMs, compared with Japan's 55,000. But since then, the U.S. total has grown by 8,000, or 12%, and the Japanese tally has jumped by 20,000, or 36%.

Conflicting Estimates

In any event, Battelle finds the two countries much closer in ATM numbers than does *The Nilson Report*, a Los Angeles-based electronic banking industry newsletter. Nilson had Japan leading the United States in 1985 by about 64,000 to 59,000. By 1988, the last time Nilson published an international survey, Japan widened the margin substantially, with 81,000 machines to the United States' 64,000.

Spencer Nilson, publisher of *The Nilson Report*, is closer to Battelle in his Japanese estimate than to other U.S. researchers in his domestic count. He has consistently been more conservative than other researchers – including Battelle – in tracking the U.S. market. His publication of the 64,000 figure last year drew criticism from John F. Love, publisher of the Chicago-based newsletter *Bank Network News*. Mr. Love placed the U.S. total at 75,632 in September 1989, up from 71,875 a year earlier.

Linda Fenner Zimmer, an independent researcher based in Marlborough, Conn., put the U.S. total still higher at 81,681 last year, with a projected increase to 87,133 by the end of 1989. Mrs. Zimmer gets her data from equipment vendors, while Mr. Love primarily surveys banks and ATM networks, and Mr. Nilson says he tries to reconcile all those sources. All of the researchers attempt to avoid double-counting of machines in multiple networks.

Regardless of which numbers are accepted for the United States and Japan, the two countries are clear leaders in most country-by-country comparisons. Although they are virtually tied in gross ATM installations, according to the Battelle data, Japan is in a league by itself in machines relative to population.

While the U.S. banking system has installed 306 machines for each million citizens, the Japanese banks have done twice as well, with 614 ATMs and cash dispensers per million people.

By this measure, Japan far outperforms even Finland and Norway, two of the more sparsely populated countries, which are renowned in Europe for high per capi-

See JAPAN: Next Page ▸

World ATM Standings

January 1989 data

	No. of ATMs	ATMs per million population	Transactions per ATM per month
Japan	75,000	614	NA
United States	75,000	306	5,800
Britain	14,116	250	5,100
France	11,457	209	2,800
Spain	8,916	233	2,700
Canada	6,000	240	NA
West Germany	5,160	84	3,900
Australia	5,000	313	NA
Italy	4,227	74	2,000

NA – Not available

Sources: Battelle Institute; U.S. transactions from *Bank Network News*

Big Jewish Charity to Offer Affinity Card

By YVETTE D. KANTROW

THE major Jewish charity in New York has joined a growing list of charitable organizations – many of them with a religious cast – using affinity credit cards to aid in fund-raising efforts.

With the help of Affinity Group Marketing Inc. and the Bank of New York, the United Jewish Appeal-Federation of Jewish Philanthropies of New York Inc. launched the Legacy Advantage MasterCard this week. Cardholders will be able to charge contributions to the UJA-Federation on the Legacy card while taking full advantage of tax deductions on those donations.

Unlike other organizations involved in affinity programs, the UJA will not collect a portion of each sale made with the Legacy card.

"We created a lower-price credit card that gives the cardholder a benefit for being a contributor to the charity," said David C. Mann, president of Affinity Group Marketing, a New York-based consulting firm. "We think the net effect will be more money going to the UJA."

Cardholders who contribute at least $3,600 to the UJA pay no annual fee for the Legacy card. Those who give at least $2,400 pay $7.50. The annual fee for non-contributors and those who give less than $2,400 is $15, which is competitive with standard MasterCard and Visa fees.

CHARGE FOR CHARITY: The Legacy-MasterCard omits bank name.

About one year ago, Catholic Charities USA began its affinity offering, the Caritas MasterCard, through an agreement with Magna Carda Inc., a marketing subsidiary of International Bank Cards. Catholic Charities divided the card-issuing and processing business between two financial institutions, First Financial Bank, Milwaukee, and State Street Bank and Trust Co., Boston.

Anytime a Caritas cardholder uses the card, 0.5% of the sale amount goes to Catholic Charities.

The fund-raising group hopes to have 250,000 cardholders by 1994.

Affinity Group Marketing is handling all solicitations for the Legacy card, and although the Bank of New York will technically issue the card, its name will not appear on its front. Mr. Mann said the UJA program will be small – he expects only 50,000 people to carry the Legacy card. The company will target the affluent New York Jewish community, seeking prospects in places like Bloomingdales' list of charge card customers.

Affinity Group Marketing is owned by a partnership of Mr. Mann, the labor negotiator Theodore W. Kheel, and the Bank of New York (Delaware). It worked with the New York bank on one of the biggest affinity card programs, the AFL-CIO MasterCard. The marketing company's programs have resulted in Bank of New York's issuing more than 1.6 million affinity cards.

"We've never done a charitable card before because we did not feel there was a real opportunity there," Mr. Mann said. "But we saw this [the UJA program] as an opportunity to do it right." ■

Japan, U.S. Are Head and Shoulders Above Other Nations in ATMs

▸ Continued from Page 16

ta installation rates. Although Finland's banks own 2,114 ATMs, and Norway's only 1,557, their ATM-per-million ratios are 431 and 380.

Australia, whose financial institutions have installed about 5,000 machines, slightly exceeds the United States in units per million at 313. Switzerland, with 1,942 machines, has 299 per million people. Britain, with 14,116 – the third-highest ATM total after Japan and the United States – has 250 per million.

The Battelle researchers, led by Peter Hirsch and Ian Brookes, also compiled national transaction rates, measured in average cash withdrawals per machine per month. But there are no comparable data for Japan, for the same reason that the Japanese ATM count is difficult to pin down: Many Japanese ATMs are in bank offices, open only during banking hours, and their performance data are not widely published.

Among the top countries in ATM count that have per-machine transaction rates available, the United States tops the list, based on *Bank Network News*' recent estimate of 437 million transactions per month nationwide.

Japan far outperforms even Finland and Norway, two of the more sparsely populated countries, which are renowned in Europe for high per capita installation rates.

That averages to about 5,800 transactions for each of 75,000 machines.

Britain came next, with 5,100 transactions per machine per month, followed by West Germany at 3,900.

But, as in the ATMs-per-population measure, less populous countries had the highest monthly transaction rates per machine: Sweden's 1,742 machines handle 8,000 withdrawals per month, Belgium's 985 units handle 6,800, Ireland's 371 machines handle 6,300, and the Netherlands' 1,166 machines 5,900.

Among other findings in the Battelle report, "ATMs and Cash Dispensers: An International Survey 1989," are the following:

- The worldwide total of ATMs and cash dispensers, at 235,000, has grown by a third since 1987 and has almost doubled since 1984.
- The largest single network of ATMs, the Carte Bancaire system in France, connects virtually all of the 11,457 machines in that country and is the only one of the world's 10 largest shared systems not located in Japan or the United States.
- While the 17 western European countries increased their ATM total 124% since 1985, to about 56,000, the Netherlands is the fastest-growing single country. Its ATM figure grew 143% in the past year alone, to 1,166, and those machines are among the continent's most active, with an average 5,900 cash withdrawals per month.
- Only two European countries have fewer than 100 machines – Greece, with 90, and Luxembourg, with 42. Greece also has the lowest number of machines per inhabitant, at 9, and the lowest usage rate, at 910 withdrawals per machine per month.
- European financial institutions have issued 180 million ATM cards, about equal to the U.S. total. Three-fourths of the European cards are multifunctional, meaning they can also be used as debit cards, credit cards, check guarantee cards, or some combination thereof.
- Diebold Inc., the dominant ATM manufacturer in the United States, with more than 40% of the market, has only 5% of the European market. NCR Corp. leads with 33%, followed by International Business Machines Corp. at 20%. IBM led NCR as recently as two years ago. ■

American Express Extends ATM Net With Portugal Deal

AMERICAN Express Travel Related Services Co. said Wednesday that it had extended its international automated teller machine network into Portugal, adding 500 machines and bringing its worldwide total close to 40,000.

The network, called Express Cash, allows American Express cardholders to obtain cash through bank-owned machines. Reciprocally, customers of the banks can obtain travelers checks through 150 ATM-like units at airports and American Express travel offices.

Of the 40,000 Express Cash Machines worldwide, 13,000 in Japan are accessible only to Japanese customers for technical reasons. The truly international portion of the network consists of 26,600 ATMs.

The Visa International ATM network remains the largest interchange of its kind, with about 40,000 machines available to all cardholders.

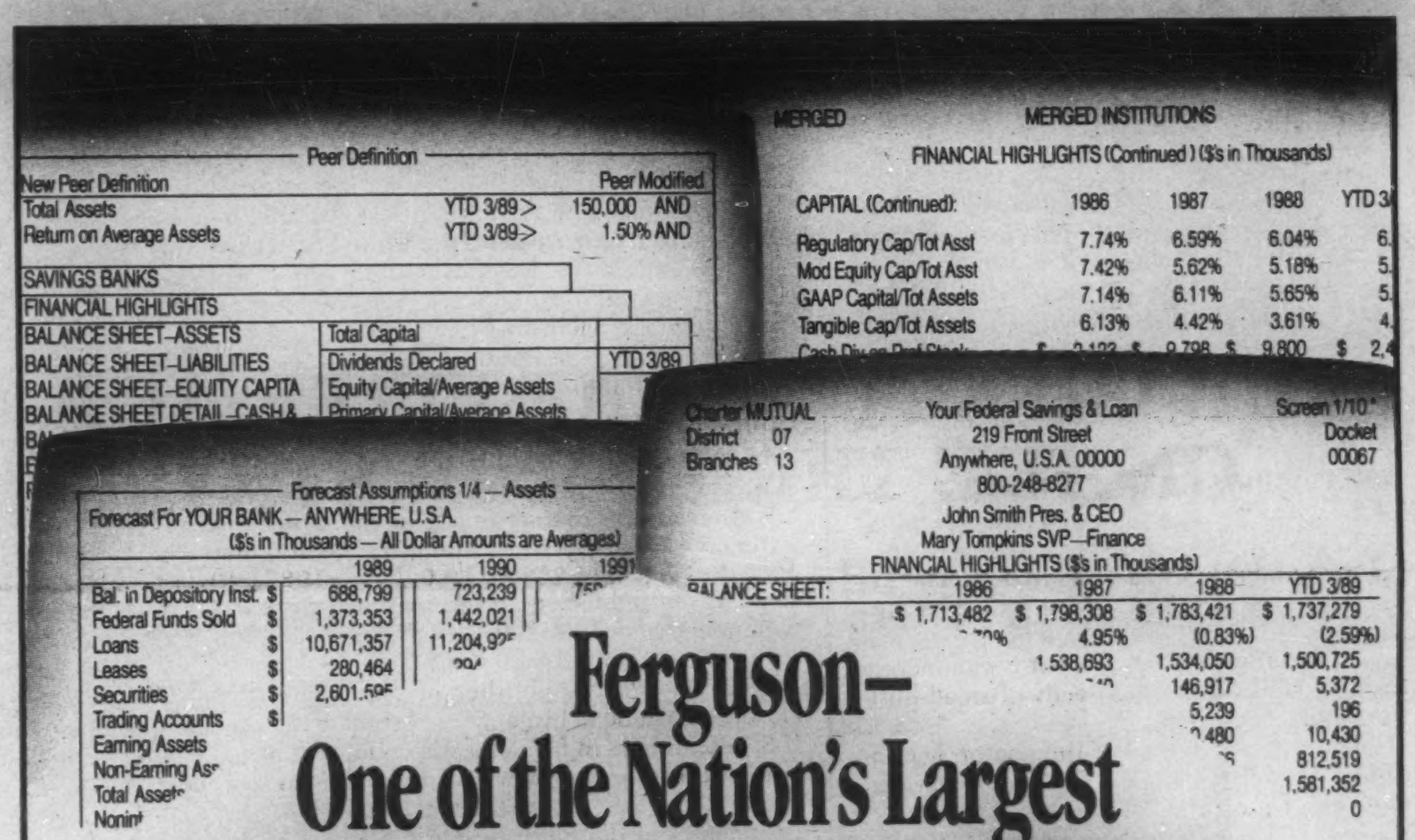
To expand into Portugal, American Express struck a deal with Sociedade Interbancaria de Servicios, a Lisbon-based provider of transaction processing services to most of the country's major financial institutions.

"The agreement [with American Express] reflects SIBS's policy of collaborating with major payment systems by offering a universal service in the framework of the European market," said Felipe Lesdesma dos Santos, joint director general of SIBS.

Such openness policies have been adopted in other western European countries in preparation for the lowering of trade barriers by 1992. James T. Larkin, an executive vice president of American Express in New York, has been critical of some national banking associations for conspiring to exclude American Express, but he praised the Portuguese group for its receptivity.

Following a similar agreement last year with Sistema 4B, a consortium in Spain similar to SIBS, American Express added 1,400 ATMs to its network. Belgium, Italy, Greece, and two machines in the Soviet Union were also connected over the past year, bringing Express Cash to 8,100 machines in Europe.

— Jeffrey Kutler



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Financial Institution Consultants

FDIC Says Real Estate Loans Threaten Bank Profits

▸ Continued from Page 1

banks have failed, and the year's total should not break 1988's record of 211, he said.

In releasing the FDIC's quarterly profile of bank performance, Mr. Seidman said, "We expect real estate losses to accelerate in the fourth quarter." The FDIC cited the Southwest, New England, parts of the Southeast, and elsewhere as markets with real estate problems. It noted that real estate lending has made up nearly 66% of all bank asset growth in the past year.

Traced to Loan-Loss Reserves

The dismal third-quarter performance by the banking industry stemmed largely from the decision of five money-center banks to raise their loan-loss reserves against nonperforming loans to less developed countries. Excluding the extra reserves, earnings were flat compared to those a year ago, Mr. Seidman said.

Fourth-quarter earnings will depend, among other things, on whether other large banks increase loan-loss reserves and on how much further certain real estate markets will deteriorate, the FDIC said.

"The present difficulties may foretell more problems down the road," the FDIC chairman said. "Forewarned is forearmed."

New England Woes Develop

For real estate lenders, the markets hit hardest continue to be in Arizona, Texas and Alaska – the three states with the highest ratio of noncurrent real estate loans to total real estate loans. But New England states, including Massachusetts, Connecticut, and New Hampshire, are experiencing unusually high rates of growth in noncurrent real estate loans, the FDIC said.

> The FDIC chairman predicted bank failures would decrease next year.

"The new problems are particularly evident in the Northeast, Arizona, and parts of Florida," Mr. Seidman said Tuesday to the National Council of Savings Institutions. "Certain northeastern areas, like Stamford, Conn., and central New Jersey, have some of the highest commercial vacancy rates in the country," he said.

Federal regulators from the FDIC, the Comptroller of the Currency, and the Federal Reserve System for months have sounded public warnings against excessive real estate lending. And while the regulators say they do not tell banks where to lend, they are starting to take legal enforcement actions against those banks that are failing to maintain proper lending standards. Banking lawyers say enforcement actions against banks in the New England region have been brisk in recent months.

Seidman as Scrooge

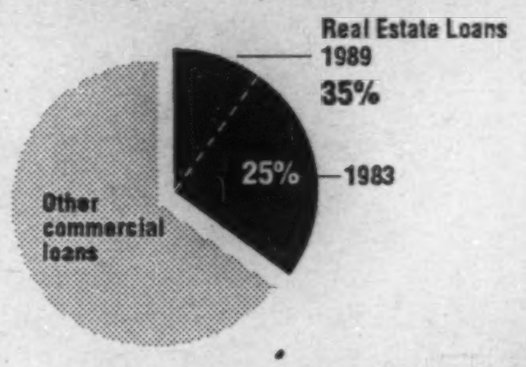
"I don't want to Scrooge up Christmas, but I'm afraid the fourth quarter will show a continuation of the [real estate] trends we see here," Mr. Seidman said at a press conference Wednesday.

In its "beige book" report on regional economic conditions, released Wednesday, the Federal Reserve reported weak real estate and construction activity in Boston, Atlanta, and Minneapolis and increasing commercial vacancy rates in New York and St. Louis.

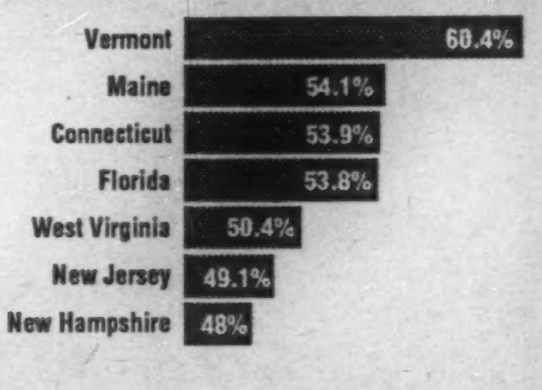
Nonperforming real estate loans comprise nearly half of all nonperforming assets in the banking system, Mr. Seidman said. The numbers would look even worse if the FDIC, in assisting commercial banks, had not pulled bad assets out of the industry. FDIC guarantees at NCNB Texas National Bank alone have removed $5 billion in nonperforming real estate assets from the bank's balance sheets, he said. ■

Real Estate Loans – and Problems – Grow

At the end of 1983, real estate loans comprised 25% of all commercial bank loans; they now comprise 35%.



States whose banks have the highest concentration of real estate loans in their loan portfolios:



The states whose banks have the highest ratio of noncurrent real estate loans to total real estate loans: (with FDIC comments on status)

Arizona	12.28%	*Worse than year ago, better than June 30*
Texas	10.53%	*Improving slightly*
Alaska	10.4%	*Less than half the level of year ago*
Oklahoma	6.07%	*Improved from prior periods*
Louisiana	5.81%	*Improved from prior periods*
Massachusetts	4.76%	*More than 3 times level of year ago*
New Mexico	4.24%	*Slightly higher than year ago and prior quarter*
Connecticut	3.85%	*More than 3 times level of year ago*
New York	3.78%	*Higher than year ago and prior quarter*
New Hampshire	3.69%	*More than 3 times level of year ago*

Source: FDIC

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32525 August 31 1988

FORDHAM OFFICE
58564 March 9, 1988 to
63659 August 31,1988

FLATBUSH OFFICE
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Ronald Zaza Auct'r Lic #840731 sells 12/21/89 11 AM at 115 Kings H'way Bklyn, '85 Olds #1G3JC6905FK333079 Re: G. E. Credit. Published 12/7 & 12/14/89.

C. LAUDISI & ASSOCS., INC., auct'rs sell December 15, 1989 at 9 AM at 25 Edison Drive, Huntington Station, N.Y. 1985 Cadillac #1G6DW6988F9726756 Acct. Gamma Six Sales Corp. &/or Park Ave Limosines Inc.; 1988 Lincoln #1LNBM81F9JY743656 Acct. Gamma Six Sales Corp. &/or GRG Limosine LTD Inc.; 1985 Cadillac #1G6DW6982F9720886 Acct. Gamma Six Sales Corp &/or G & L Limosine Inc.; 10 AM at 151-20 6th Rd., Qns 1987 Nissan #JN1PS24S9HW005631 Acct. N. Cuevas; 11 AM at 198-25 Jamaica Ave., Qns 1989 Lincoln #1LNBM81F8KY603731 Acct. Term Leasing; 12 PM at 216-20 Hempstead Ave., Qns 1988 Suzuki #JS4JC51C6J4241716 Acct. B.E. Armstead; 1989 Chevy #1G1LW14W5KE102358 Acct. L. Orr; 1 PM at 43-12 102nd St., Qns 1982 Toyota #JT2RA64C1C6014186 Acct. Esmeralda Corp.; 1:30 PM at 70-11 50th Ave., Qns 1985 Chrysler #1C3BT56G7FC246217 Acct. J. H. Douthit; 2 PM at 55-11 Northern Blvd., Qns 1988 Nissan #JN1PB24S7JU043375 Acct. M. P. Lemons. Published November 30 & December 7, 1989.

R. A. Felder Lic Auctr #793917 sells on 12/15/89 11:30 AM at 158 Roebling St, Bklyn, '77 Linc #7Y89A970597 Re: M. Ragsdale; sells 11 AM at Bryant Pond Rd, Mayhopac, '87 Ford #1FABP50D2HA135688 Re: Wheels Inc.; 10 AM at 416 Elmgrove Rd, Rochester, '65 Ritz #NY5332BR Re: P. Teck; 10 AM '47 Steelcraft #NY7583AS Re: J. Caternolo & J & D Licata, '64 Owens #NY2291BL Re: D. Robinson & A. Tribunella. Published 11/30 & 12/7/89.

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M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell December 14, 1989 10:00 A.M. 1455 36th St Bklyn 1979 Datsun 2 Dr Sdn KHLG810002293 Re: J. Morsilla: 10:30 A.M. 222 16th St Bklyn 1977 Jeep Subn J7A17MZ071852 Re: A.R. Negron: 11:00 A.M. 131 22nd St Bklyn 1985 Oldsmobile 2 Dr Sdn 1G3NT27U8FM204354 Re: F. Semple: 11:30 A.M. 4213 2nd Ave Bklyn 1985 Chevrolet 4 Dr Sdn J81RF69KXF8424319 Re: P. Smith: 12:00 P.M. 5001 2nd Ave Bklyn 1964 Diamond T Truck P5020549974 Re: E. 17th St Fuel Oil Corp: 12:30 P.M. 361 91st St Bklyn 1980 Buick 2 Dr Sdn 4M47AAG179128 Re: S. Sartzetakis: 1:30 P.M. 393 Tompkins Ave S.I. 1988 Honda 4 Dr Sdn 1HGCA5646JA179661 Re: P. & D. Bilotti: 2:00 P.M. 930 Richmond Ave S.I. 1981 Oldsmobile 4 Dr Sdn 1G3AX69N0BM116912 Re: G. Felitti. Metropolitan Auctioneers, Inc. Published November 28, 1989 & December 7, 1989.

Foundation Notice

NOTICE
The annual report of **THE PAUL M. POINT DODYK CHARITABLE FOUNDATION** for the calendar year ended Dec. 31, 1989 is available at its principal office located at 34 Maynard Court, Ridgewood, N.J. 07450 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Paul M. Dodyk (212)474-1214.
Dated: Dec. 7, 1989.

NOTICE
The annual report of **CAMILLUS FOUNDATION** for the fiscal year ended May 31, 1989 is available at its principal office located at Main Street, Camillus, NY 13031, (315) 672-8111 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is James W. Furgal.

Notices of Foreclosure

NOTICE OF SALE SUPREME COURT: BRONX COUNTY EAGLE SA FUNDING COMPANY Plaintiff, vs ARK REALTY DEVELOPMENT CORP. et al., Defendants. Alexander T. Singer, Atty. for Plaintiff, 26 Court St., Brooklyn, N.Y. Pursuant to judgment of foreclosure and sale entered herein and dated Oct. 18, 1989, I will sell at Public Auction to the highest bidder, at the Bronx Supreme Court Building, 851 Grand Concourse, Bronx, N.Y. Room 118 Mezzanine, on the 21st day of Dec. 1989, at 10:00 a.m., premises in Bronx, New York, to be sold in the following order. PARCEL I - beginning at the corner formed by the intersection of the southerly side of Pell St. with the westerly side of City Island Ave., and being a regular parcel of land 100 ft. x 125 ft. Premises known as 139 City Island Avenue, Bronx, N.Y. PARCEL II - beginning at a point on the southerly side of Sutherland St., distant 175.02 ft. easterly from the corner formed by the intersection of the easterly side of King Ave. and the southerly side of Sutherland St., and being a parcel of land 100.01 ft. x 34.01 ft. x 100 ft. x 96.01 ft. Premises known as 216 Sutherland St., Bronx, N.Y. Sold subject to all of the terms and conditions contained in said judgment and terms of sale. Approximate amount of judgment - $436,788.00 plus interest and costs. Index No. 14149/88 VINCENT JOHNSON, Referee.

Auction Notices

Ronald Zaza Auct'r Lic #840731 sells 12/21/89 9 AM at 151 Flatbush Ave, Bklyn '79 Dodge #EH42G9A166879 Re: Joyce Motor Corp.; 10 AM at 24-37 49th St, Astoria '85 Buick #1G4BP69Y9FX422795 Re: M. Corbett. Published 12/7 & 12/14/89.

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Bank Leumi to Pay $533,000 for Role in Money-Laundering Case

▸ Continued from Page 1

Treasury and Justice departments have focused on enforcing these rules in an effort to deter money laundering.

Since 1985, the Treasury has penalized 44 banks a total of about $21 million, according to department spokesman Larry Batdorf. The Treasury's largest civil penalty, $4.75 million, was levied against Bank of America, San Francisco, in January 1986.

4 Banks Penalized This Year

So far this year, the Treasury has penalized four banks, including Bank Leumi, a total of $1.1 million, according to Mr. Batdorf. That figure does not include the $242,000 criminal fine that Bank Leumi will pay.

Bank Leumi was penalized for not filing reports on 242 deposits totaling $9.5 million at two of its branches between Jan. 1, 1981, and Dec. 31, 1985.

A single account for a Queens, N.Y., pizzeria called America's Best Family Showplace was the subject of the investigation. Although the account was maintained in the bank's Forest Hills branch, most deposits were made in a Bank Leumi office in Brooklyn, according to the Justice Department.

"It is clear from this case that the importance of financial institutions' compliance with the nation's currency laws is essential," Andrew J. Maloney, U.S. attorney for the Eastern District of New York, said in a prepared statement. "Without the cooperation of financial institutions in their criminal ventures, tax evaders and money launderers could not conduct their schemes and succeed in laundering the millions of dollars that they do."

The America's Best account was cited in a separate grand jury indictment this year. It alleged that the account holders managed to have their account fraudulently placed on a list of Bank Leumi customers exempt from filing transaction reports on specific accounts.

"The customer presented himself as a legitimate retail customer and, on that basis, was exempted from the reporting requirements," said Herbert Small, a spokesman for Bank Leumi.

But one transaction-reporting consultant said that banks can never be too careful.

"This is a classic example of the misuse of an exemption by a customer," said Arlington, Va.-based consultant Charles G. Morley. "It shows that banks have to carefully review customers, and understand their businesses, before exempting them."

Mr. Small of Bank Leumi said bank employees were not involved in the fraudulent listing.

But the U.S. attorney said that, although the bank's top management was not implicated, "the investigation did reveal a systematic and prolonged pattern of flagrant disregard for the currency laws by employees at the two branches of Bank Leumi."

Money launderers and other criminals seek out branch employees, and particularly branch managers, to help them circumvent currency transaction reporting requirements, according to law enforcement officers.

A similar case involving a branch employee came to light last month in a New Jersey federal court. Roberto Calleja, a former branch manager of First Fidelity Bank, Newark, pleaded guilty to helping launder $6.5 million to $11 million during four years ending in July 1985.

He exchanged small bills for larger-valued notes without completing currency-transaction reports. ■

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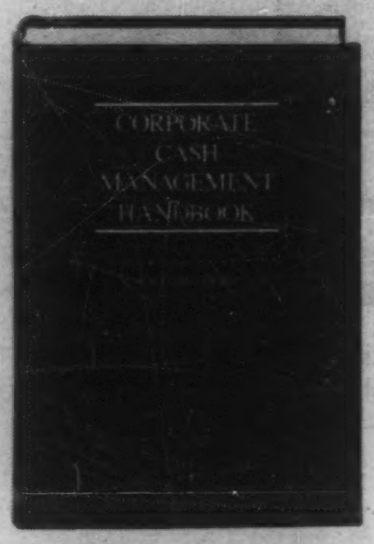

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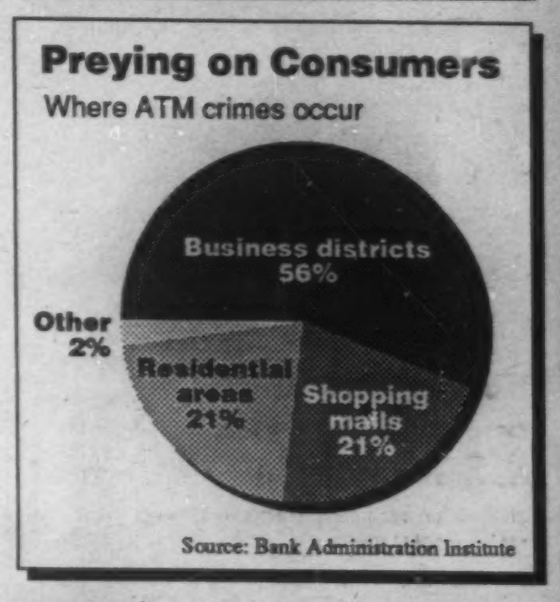

Study Says Crime At ATMs Is Down

▸ Continued from Page 1

based newsletter than has criticized the Bank Administration Institute in the past for underestimating the frequency of ATM-related crimes.

"Given the fact that crime in general is going up, it is illogical to assume that ATM crime is going down," Mr. Robertson said. "The industry has done very little and can do very little to combat crimes at ATMs."

Mr. Taylor released the findings on Wednesday of the ATM security study at the institute's conference on retail electronic delivery systems in New Orleans.

The current survey, which was conducted this fall and covers ATM security policies, practices, and customer safety in 1988, was a followup to a similar project the institute completed in 1987 and based on 1986 data.

A total of 1,219 financial institutions participated in this year's survey, a response rate of 14.6%. The responding group reported more than 900 million transactions in 1988 at 16,502 ATMs, or about 20% of the 82,000 machines believed to be operating nationwide. While this is more inclusive than the group that participated in the 1987 study, results were adjusted to insure comparability of the two studies.

According to Mr. Robertson, crime statistics based on transactions do not accurately reflect the amount of risk borne by ATM customers.

"In all fairness to BAI, a study like this is incredibly difficult to undertake," he said. Banks, especially large ones, do not like to discuss it.

BAI defined an ATM crime as one that occurs within 20 feet of a machine. Respondents reported 80 such incidents in 1988. A majority occurred in business districts, and more than 40% between 9 p.m. and midnight.

In more than half of the incidents, customers were robbed after withdrawing cash from a machine. Another 40% were forced to withdraw money.

In an interview after his presentation, Mr. Taylor urged banks to take steps to combat ATM crime and said the industry could expect federal laws mandating that soon. ■

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VOL. CLIV NO. 242 Wednesday, December 13, 1989 154th Year

David Smith

Seidman Is Coy As Rumors Swirl

By BARBARA A. REHM

WASHINGTON — The rumor that L. William Seidman is ready to give up government is stronger than most of the gossip that routinely flows through Washington.

In fact, after weeks of repetition, this rumor is Herculean.

Although Mr. Seidman's words and actions have fed the gossip, the 68-year-old regulator flatly denies that he has any plans to retire as chairman of either the Federal Deposit Insurance Corp. or the Resolution Trust Corp.

"I've heard the rumors," Mr. Seidman said in an interview. "I have not decided to leave. Any reports to the contrary are wrong."

On its face, the rumor does not make sense. Four months ago, President Bush handed the regulator an inch-thick law with instructions to clean up the thrift industry. Mr. Seidman fought vigorously and successfully to be put in

See SEIDMAN: Page 23 ➤

White House Backtracks on Talk That S&L Bailout Cost Is Growing

By ROBERT TRIGAUX

WASHINGTON — When President Bush said this week that more money may be needed to resolve the thrift crisis, he sent a brief tremor through a financial industry still trying to cope with a $50 billion bailout signed into law only four months ago.

NEWS ANALYSIS

Bank lobbyists warned that another huge bailout package could lead to new federal assessments and could undo many of the carefully crafted provisions in the August bailout law. Leaders in the thrift industry – already tapped for funds by the first bailout – warned that another bailout so soon could wipe out its shrinking group of healthy S&Ls.

But the White House on Tuesday downplayed the President's off-the-cuff remarks and backed away from any suggestion that a "Bailout II" plan from the administration was imminent. It has been no secret that another major infusion of funds will be required to bail out the struggling savings and loan industry. Experts have said for some time that the $156 billion, 10-year bailout package signed into law in August is insufficient. "That it was an inadequate Band-Aid solution to a major problem was known at the time," said

See WHITE: Page 22 ➤

Deutsche Bank Chooses a Career Man To Replace Herrhausen as Chairman

By JOHN EVANS

LONDON — Deutsche Bank of West Germany named Hilmar Kopper as its new chairman Wednesday, succeeding Alfred Herrhausen, who was slain in a terrorist bomb attack on Nov. 30.

Mr. Kopper, 54, a member of the top management board of Deutsche since 1977, is responsible for the bank's primary investment activities, all of its North American operations, and activities in the West German city of Cologne, according to an announcement by the bank in Frankfurt Tuesday.

"He is a Deutsche banker from the bottom to the top," a senior Deutsche official commented, noting Mr. Kopper had joined the bank – West Germany's largest – straight from school. "His wide international experience is a clear sign of the continuation of our bank's expansion plans at home and abroad."

Hilmar Kopper
New Chairman, Deutsche Bank

Mr. Kopper had been regarded as a strong candidate, along with Rolf

See CAREER: Page 18 ➤

Sears, 8 Banks Unite to Offer EDI Service

Joint Effort Could Spur Use Of Technology by Industry

By RICHARD LAYNE

NEW YORK — An affiliate of Sears, Roebuck and Co. said Tuesday that it has formed an alliance with eight major banks to provide electronic data interchange, a fast-growing corporate service that banks have been slow to integrate into their cash management offerings.

Bankers in the alliance said it could give a long-awaited boost to their efforts in electronic data interchange. Known as EDI, the technology eliminates paper invoices and other documents in corporation-to-corporation transactions.

Through a network operated by Sears Communications Co., the eight banks will be able to send electronic payments and details about those payments for corporations seeking to streamline their trading systems. The banks are adding a financial and funds-transfer component to an EDI system that Sears Communications has provided to more than 300 corporations.

The first user of the financial service, called the Financial Data Interchange Service, will be the Sears Merchandise Group, the retail division of the Chicago company. The Sears unit exchanges electronic data with thousands of suppliers.

"The alliance is a major step forward in showing how important the financial component of EDI is to corporations using EDI," said Edward Freitas, vice president at Harris Trust & Savings Bank, a member of the Sears alliance.

In addition to Chicago-based Harris,

See SEARS: Page 19 ➤

LATE NEWS

New Hanover President

NEW YORK — Manufacturers Hanover Corp. on Tuesday named Thomas S. Johnson, a top executive of Chemical Banking Corp., as its president.

Thomas S. Johnson

The action puts Mr. Johnson, president of Chemical Banking Corp. and Chemical Bank, in line to succeed John F. McGillicuddy, Hanover's 59-year-old chairman, who announced he will retire before he turns 65. Mr. McGillicuddy did not specify when he will retire.

The president's post at Hanover has been vacant for 19 months. Analysts and bankers expressed surprise at the announcement.

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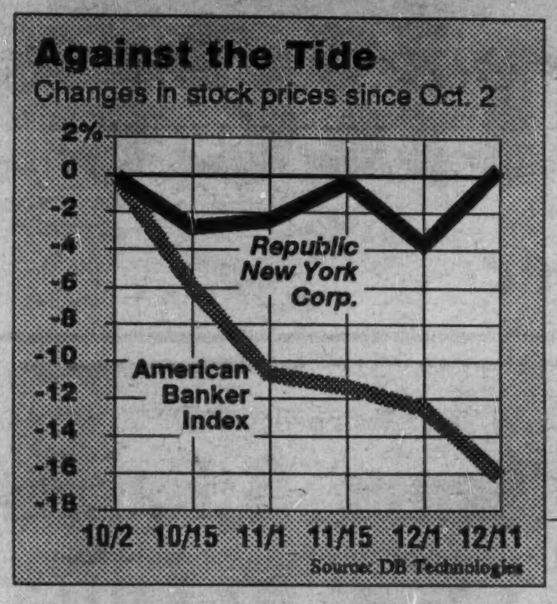

Republic to Post $50 Million Gain From Real Estate

By JOHN P. FORDE

NEW YORK — During a quarter when it is traditional for banking companies to disclose little-suspected troubles in their loan portfolios, Republic New York Corp. on Tuesday said it will book a $50 million nonrecurring gain from the sale of a real estate option in the fourth quarter.

Announcement of the gain helped the price of Republic New York shares in a mixed stock market Tuesday. At 1 p.m., the company's stock traded at $48.50 a share, showing a gain of $1 since Monday's close.

Accountants said that the $28.8 billion-asset Republic had the option of treating the transaction as normal income, which would have been a major boost to its fourth-quarter operating results.

But in keeping with the conservative policies that have made it a favorite of bank stock analysts, the bank has chosen to recognize the gain as nonrecurring.

"The option is neither positive nor negative for the future of the bank," said Chris Kotowski, an analyst with Oppenheimer & Co. "It simply means the institution is worth about $1.50 a share more than it was yesterday."

Republic New York, which is controlled by the international financier Edmond Safra, has built a reputation as a conservatively managed bank catering to wealthy individuals.

The company opened a bank in Switzerland in 1987 that has not yet contributed much to earnings but which analysts say has turned the corner in recent months.

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Bank of Boston to Sell Credit Card Loans

$590 Million Portfolio Is Expected to Fetch a 20% Premium

By YVETTE D. KANTROW

NEW YORK — Bank of Boston Corp. has put its $590 million of credit card loans on the block, becoming the latest medium-size card issuer seeking to exit the business.

The bank – mired by $1.1 billion in troubled commercial real estate loans – has hired an investment bank to help find a buyer for its 675,000 MasterCard and Visa accounts, it announced late Monday.

Judging from similar, recently completed transactions, the portfolio is likely to fetch a 20% premium above the loan balances, or a total purchase price of $708 million.

Little Bottom-Line Effect

But analysts said that, while the move is strategically sound, a card sale by Bank of Boston will have little impact on its sagging bottom line.

"It will take some assets off their books and relieve some marginal funding problems, but it will have no real dramatic effect," said Dennis F. Shea of Morgan Stanley & Co. in New York. The sale is well-timed, however, coming during a period of accelerating consolidation in the bank card business.

Card portfolios have been changing hands at a rapid pace as the largest issuers, seeking to realize economies of scale, expand through acquisitions. In one of the biggest deals to date, Chase Manhattan Bank this year paid a 20.5% premium – and a total price of $1.325 billion – for $1.1 billion in card loans from Michigan National Corp.

But most recent sales involve medium-size portfolios, like the $552 million in card loans that First City Bancorp. of Texas, Houston, sold in October to the Bank of New York. The purchase price of $685 million yielded a premium of 24%.

In September, Bank of New York paid a $168 million premium, or 21%, to Dreyfus Corp. for $790 million in MasterCard accounts that Bank of New York had already been processing.

Bank of Boston found that "having 675,000 cardholders is an awkward size in a business that is consolidating so rapidly," said Mr. Shea of Morgan Stanley. "It's not giving you any cost efficiencies."

Bank of Boston is seeking an "agent" relationship with a buyer, under which it would continue to offer MasterCard and Visa services to its customers. The portfolio's buyer would process the accounts and own the receivables.

"While our credit card business is profitable, our ability to be a major provider in the current competitive environment depends on our being able to achieve much greater scale," said Richard W. Dalrymple, a consumer lending executive at the bank. That would require the bank to change its focus, he said. ■

Biggest Credit Card Portfolio Sales in 1989

Seller	Buyer	Card loans ($ millions)	Premium[1]
1. Lomas Financial	Merrill Lynch Capital	$1,300	39%
2. Michigan National	Chase Manhattan	1,100	21
3. Empire of America	Citibank	650	3
4. Bank of Boston	**(Pending)**	**590**	-
5. First City Bancorp.	Bank of New York	552	24
6. First Interstate	Associates National	450	10[2]
7. Imperial Savings	Wells Fargo Bank	280	24
8. Society for Savings	First Chicago	229	18
9. Goldome	Monogram Bank	148	NA
10. Freedom Savings	Southeast Bank	132	NA

[1]Acquisition price equals balances plus premium.
[2]After-tax profit to First Interstate.

Sources: Kidder, Peabody & Co. and American Banker

Jersey Thrift's Reserve Will Cause Loss for Year

By MICHAEL WEINSTEIN

NEW YORK — In the latest indication of real estate lending problems in New Jersey, Howard Savings Bank said Tuesday that it would report losses for the fourth quarter and full year.

Howard, a $5.1 billion-asset thrift based in Livingston, said it would boost its loan-loss reserve by $70 million in the fourth quarter. Howard said this action would produce an after-tax loss of about $65 million for the quarter and $45 million for 1989.

"The additional reserve projected for the fourth quarter is brought on primarily by the serious slowdown in the New Jersey real estate market," Donald F. McCormick, Howard's chief executive officer, said in a statement. "This slowdown is characterized by a significant drop in demand and a general decline in the market values of residential housing and commercial properties."

> Howard Savings Bank said it would boost its loan-loss reserve by $70 million in the fourth quarter, producing an after-tax loss of about $65 million for the quarter and $45 million for 1989.

Last month, Moody's Investors Service downgraded the debt ratings of five New Jersey banking companies because of worries about real estate in the state.

"In virtually every [New Jersey] bank, there has been an increase in nonperforming assets in 1989," said Michael L. Granger, an analyst with Prescott, Ball & Turben Inc. So far, the major New Jersey banks have avoided big increases in loan-loss provisions.

At midday, Howard's stock was trading at $8.25 a share, down $2.25. Other New Jersey bank stocks were off, too. Midlantic Corp., Edison, was trading at $31.62, down $1.87; UJB Financial Corp., Princeton, was at $19.12, down 75 cents; and First Fidelity Bancorp, Lawrenceville, was at $25, down 50 cents.

"I think there will be some additional reserves set aside" at New Jersey commercial banks in the fourth quarter, said William McCrystal, director of research at Ryan, Beck & Co., West Orange, N.J. "But I honestly don't anticipate losses at [New Jersey] commercial banks."

After the 1989 loss, Howard expects its primary capital ratio to be about 7.3%. Howard belongs to the Federal Deposit Insurance Corp., so it is not affected by capital guidelines the Financial Institutions Reform, Recovery, and Enforcement Act dictates for thrifts.

Howard said its nonperforming assets may total $400 million at yearend, compared to $252 million at the end of the third quarter.

Its loan-loss reserve at the end of the third quarter was about $21 million. "If the bank were to experience further deterioration in its commercial real estate portfolio, additional increases in the loan-loss reserve could be necessary in subsequent quarters," Mr. McCormick said.

About 36% of the thrift's $3.6 billion loan portfolio is in commercial real estate loans. ■

FINANCIAL TECHNOLOGY UPDATE

A new item processing solution has significantly reduced labor costs for Liberty National Bank, Louisville, Kentucky. NCR's 7770-3000 Intelligent Multi-Pocket System, running a software application from Data Management Products of Omaha, Nebraska has eliminated 65 hours of return item processing labor. All 42 Liberty branches have been converted to centralized processing two months ahead of schedule.

The Financial TOWER System 2 (FTS 2) improves customer service while increasing the number of product offerings. Star Bank, a Cincinnati based financial institution, recently chose NCR's Financial TOWER System 2 for its new branch automation system. In addition to improved customer service and more product offerings, Star Bank wanted to increase productivity. They found that with their new NCR system in place, platform productivity grew in excess of the 20% they expected.

NCR introduces color CRTs for ATM use in August. 5070 Interior ATMs, 5084 Cash Dispensers and 5085 Extra-Function Terminals will all be capable of utilizing these new screens. A PC is installed to drive the EGA monitor which delivers vibrant colors. Standard graphics are provided or PC Paintbrush can be used to design new graphics or modify existing programs. Plus, the CRT's potential for "advertising" at the ATM site is impressive.

The ITX Windows Software System enables multiple host system jobs to be managed through one PC. As part of the new System 10000 software tool suite, ITX Windows allows users of NCR's Banker 80 II System to handle the after-hours work of up to 9 institutions in a multi-bank installation. In addition, loan officers can use the Loan Pricing system and review applicants' account records simultaneously. ITX Windows also supports software development with edit, graphics, view, and window creation capabilities.

For additional information on these new developments from NCR, phone 1-800-CALL NCR.

NCR

COMMENT

S&Ls Must Reassess Information Technology

By CHARLES J. SIPPLE
and THOMAS R. CAPTAIN
Deloitte & Touche

BY controlling risk and requiring improved profitability and possible additions to capital, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 will put intense pressure on thrifts to process information more cheaply and better. This will lead to the biggest changes in information technology that the thrift industry has seen in decades.

The most recent surveys conducted by the U.S. League of Saving Institutions show that information technology costs are about 10% of the average thrift's noninterest operating expenses. Our research shows that as a percentage of an institution's total assets, annual information technology costs average 0.19%.

An institution may have valid reasons for falling outside this range. Lower than normal costs might be the result of fewer products, highly efficient branches, or fewer reporting and on-line capabilities. Higher than normal costs might be the price paid for superior customer service, lower personnel costs in customer service areas, or superior financial and analytic capability.

Making the Most of Mainframes

But some reasons are not as good. For example, a thrift may be paying a premium for extra capacity. Underutilized in-house mainframe computers may waste as much as $40,000 a month in lease payments. When usage pushes capacity to the limit, on the other hand, on-line response time for customer service and branch personnel may be too slow.

The ability to manage effectively at the margin of computer capacity is a key factor in controlling information technology costs.

Another reason for high information technology costs may be the addition of new lines of business. When a thrift diversifies into brokerage, secondary-market trading, wholesale loan servicing, or insurance, it may need more information technology staff to perform separate data management, data base maintenance, or application development functions.

> 'Each new line of business should be profitable enough to justify its technology costs.'

Personnel is usually the largest cost component of in-house information technology. As the complexity of a business increases, these personnel costs tend to increase geometrically.

Thus, each new line of business should be profitable enough to justify its information technology costs. A cost-benefit analysis can determine whether those costs are out of line, and why.

Higher than normal costs without sufficient justification indicate that there are opportunities for cost reduction, processing simplification, or improvement of methods.

New Law, New Information Needs

The thrift-rescue law will prompt many institutions to seek new types of information that provide insight into asset performance. For example, the new capital standards related to interest-rate risk, credit risk, and off-balance-sheet risk will intensify the need to assess the profitability of each business line. Scarce capital must be allocated to lines that are profitable, and lines that are unprofitable must be turned around or dropped.

Some institutions plan to meet capital needs through the earning power of their banking operation. Others will boost capital by converting from mutual to stock form or by selling shares.

Either way, better margins and higher overall earnings will become more critical than ever before. Every business line will have to be a contributor, and information measuring each one's performance will be essential.

Suppose you find that your information technology must become cheaper or better, or both. How can you lead the process of change? Because of the many innovations in today's information technology marketplace, the options and tradeoffs are complex.

Sophisticated Software

To provide better management information, for example, you might consider such technically sophisticated software packages as asset/liability applications, microcomputer downloading, and mark-to-market portfolio analysis. To track business line items in more detail, you might consider the costs and benefits of a relational data base management system.

Used in concert with a fourth-generation language, a relational data base will probably require more processing power, and therefore greater hardware expenditures. But it will also reduce both the initial software development cost and long-term outlay for software maintenance.

This could be a good tradeoff, because the past few years have brought a major shift in the cost structure of information technology: hardware costs are decreasing and software development costs are rising.

Another benefit of relational data base technology is the ability to answer ad hoc queries of existing information within minutes, enabling management to respond to market changes quickly.

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Mr. Sipple is a partner in the Kansas City, Mo., office of Deloitte & Touche and national director of the firm's thrift consulting practice. Mr. Captain is a senior manager of the company's Pacific Northwest practice, specializing in operations improvement in information technology.

Grapevine

By JED HOROWITZ

The Boss Wants More. The investment banking group of **Mitsui Bank** in New York, which is just 3½ years old,felt ambitious recently when it projected a 60% increase in profits for its 1990 budget, sources said. But its bosses in Tokyo were not impressed. They told the group to raise its target to 90%, according to a beleaguered Mitsui banker in New York.

A compromise 70% target was reached, but Tokyo refuses to send more bankers to help the unit reach its goal, sources said.

Other help may be on the way. Mitsui has sought Federal Reserve Board permission to invest in a U.S. investment banking boutique, according to sources. They would not name the firm, but believe the investment will give the bank access to more U.S. clients. The bulk of Mitsui's U.S. business is done for affiliate companies of its parent, which is part of the Mitsui manufacturing and financial services conglomerate.

* * *

Carding the Merchants. Midwest marketing maven Richard G. Barlow says **First Chicago** Corp. is considering asking merchants who participate in the bank's credit card promotions to split the marketing costs. He says the bank is talking to dry cleaners, restaurant owners, and others. What's in it for the merchants? Bank customer lists. "We'd be giving information on millions of cardholders in an identifiable group," says Mr. Barlow, president of **Frequency Marketing** Inc. in Milford, Ohio.

Banks have long offered discounted merchandise and other premiums to entice consumers to charge on their bank-issued credit cards. But they have also paid all the costs of such programs.

* * *

Poison Loan Protection. Mortgage lenders who fear being stuck with tainted repossessed property are developing a plan to defray the costs of decontaminating radon-infected homes.

Banking groups in Wyoming, North Dakota, South Dakota, Montana, and Colorado are asking the American Bankers Association to support laws requiring home sellers to establish "radon escrow accounts." The sellers would be required to park between $1,000 and $2,000 in a bank account for one year. That's the amount of time it takes to accurately gauge levels of radon contamination in a home, said Wyoming-based bank consultant Michael Stone.

If a house is not contaminated, the money would be returned to the seller with interest. Mr. Stone says the plan has won support from the Department of Housing and Urban Development and should please lenders. "The banker gets to use the money for a year," he says.

* * *

Private's Progress. **J.P. Morgan** & Co.'s private-placement unit will move from its Morgan Guaranty bank to its J.P. Morgan Securities subsidiary in early January, a bank spokesman said. The shift will mirror one recently made by Bankers Trust Co. The objective: to build a big base of revenues in so-called "eligible" securities against which the allowable level of newly approved "ineligible" securities can be calculated. The Federal Reserve Board limits revenues from the new activities, such as corporate debt underwriting, to 10% of the subsidiary's total.

One sour note: private-placement bankers work closely with bank lenders in financing issuers of private securities, but the Fed has imposed "firewalls" preventing lenders from working with their in-house investment bankers. Morgan has chipped away slightly at the restrictions. It recently won approval to lend money on a limited basis to issuers of securities that its subsidiary places. Morgan's holding company and nonbank subsidiaries also won the right to buy up to 50% of the securities placed by J.P. Morgan Securities.

— Rebecca Cox and Yvette Kantrow contributed to this column.

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